Equity theory research paper

Abstract The intent of this paper is to discuss some of the current research and opinion concerning, and to compare and contrast the strengths and weaknesses of, one of the more common theories of motivation, the Equity theory. In addition, this paper will compare and contrast the Equity theory with another popular theory of motivation: the Expectancy theory.

Introduction Motivational theories receive a great deal of attention in organizational behavior research, primarily because of their purported ability to explain some of the complexities of employee performance and turnover in an organization.

Most motivational theories try to integrate external factors (i. e. , an organizational compensation system) with internal forces (i. e. , personal needs and motives).

Some of the structure these theories provide can also be used in a work environment as measuring tools for individual performance in an organization. In this paper we study a major motivational theory: the Equity theory. We explore the similarities and differences between this theory and two other common theories. We will also consider current research and opinion surrounding this theory and compare its strengths and weaknesses with another common motivational theory, the Expectancy theory. Equity theory Adams first talked about Equity theory in 1963 and 1965 (cited in Ambrose & Kulik, 1999).

According to Adams, an individual assesses his relationships by analyzing his inputs to the relationship and what he receives in return compared to what other individuals contribute to the relationship and receive in return. At its core, this is a theory that is based on perceived fairness. It is a reasonable, common-sense notion that people want to be treated in a manner that they perceive to be fair, or at the very least, equal to those performing the same tasks. If the individual thinks that his outcome-to-input ratio is less or more than that of the other individuals in the relationship, then inequity arises and the individual is compelled to restore equity in order for the relationship to remain acceptable. Therefore, inequity can be either positive or negative. An individual perceives negative inequity when his outcome-to-input ratio is less than the other individuals in the relationship, and he perceives positive inequity when the opposite is true.

According to Adams, an individual will react negatively whether he perceives his situation to be creating positive or negative inequity. Therefore, individuals will seek to reach equilibrium with the others in their environment. For example, if one member of the staff works eight hours a day, and another works only seven, and the two are paid the same salary, then that both workers will feel an imbalance. It is then likely that the person working less hours will be uncomfortable with the situation and suggest methods of equalizing the situation (such as cutting the other person’s hours to seven as well). Likewise, the individual working eight hours will feel as though the situation is unfair, and may resist by slowing down at work, taking longer breaks, or asking for a raise to create the feeling of equity. In either instance, neither employee will be truly happy until the perceived inequity is resolved.

Although the Equity theory has been shown to be an effective model for some behavior predictions, Scheer et al. 2003), made comparisons between the reactions of Dutch firms and U. S. firms on positive and negative equity to illustrate one of the dangers of assuming the universality of the Equity theory.

A test was conducted with a Dutch firm and an American firm to test the assumptions of Equity theory. The presumption that in a perceived negative inequity the individuals would feel angry and a positive inequity would produce feelings of guilt. The study came to the following conclusion: Our findings indicate that the Dutch firms, on average, do react according to Equity theory predictions but that United States firms do not. When under compensated, Dutch firms experienced hostility, and when overcompensated, they experienced guilt. In the face of inequity, either positive or negative, firms in the Netherlands exhibit lower trust and relationship continuity.

U. S. firms react just as the Dutch do when faced with negative inequity, but they do not react negatively to positive inequity. These findings suggest that it is dangerous to presume the Equity theory is universally applicable to interorganizational relationships and, specifically, to assume that positive inequity will have deleterious effects (p.

12). This, again, may be an oversimplification. In this test, the Dutch firm responded as was expected and the U. S. firm did not. This only serves to illustrate that every environment is unique, and responses cannot be assumed.

It also implies that some cultures may be more predisposed to accept positive inequity, and perhaps this can be built into a modified model for uses within that society. It does not, however, presume to determine which environments will respond in a specific way. For example, the test was conducted in the Netherlands, but no larger presumption can be made to include all of Europe, or every industry within the Netherlands.) Chhokar et at. (2001), talked about equity sensitivity, which elaborates on Adam’s Equity theory.

The concept of equity sensitivity is used to explain why individuals from different cultural backgrounds do not behave as predicted when inequity exists and how they react to positive or negative equity. Equity sensitive individuals sense equity when inputs equal outcomes. When the input exceeds the outcome, a negative inequity arises. However, there are individuals who feel at peace with different types of inequities, and they are known as “ Benevolents” and “ Entitleds”.

Chhokar et al. (2001), elaborates on equity sensitivity, by stating: This construct expands upon Adam’s equity theory by hypothesizing that there are three types of individuals: (1) Equity Sensitive, who follow the traditional equity theory model of behavior and sense equity only when inputs equal outcomes; (2) Benevolents, who sense equity only when their inputs exceed their outcomes; and finally (3) Entitleds, who sense equity only when their outcomes exceed their inputs (p. 1). According to Chhokar et al (2001), it was anticipated that the United States would have a very low benevolence rating, meaning that the study anticipated Americans to have a more significant reaction to negative equity.

Actually, the United States fared far better than anticipated. Chhokar et al, states “ We had assumed that individualistic cultures would be less benevolent and less willing to engage in organizational citizenship behaviors. . .

In the case of the U. S. example, cultural messages encouraging teamwork and good sportsmanship may modify the individualism message” (p. 2).

This would indicate that in the United States the Equity theory is much more applicable than original hypothesis would have suspected. Expectancy Theory Robbins (2001) describes the Expectancy theory as the “ most comprehensive explanation of motivation”, although it does not exist without its critics. The primary idea of the Expectancy theory is that “ the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual” (p117). Put simply, this is much like the donkey and the carrot.

If an individual thinks he knows the outcome of an action, and the outcome is suitably desirable, an individual will alter his behavior in such a way as to attain the desired reward. Further, the greater the desirability of the reward, the greater effort the individual will be willing to put forth to attain the reward. Harder (1991) pointed out a major distinction between the Expectancy theory and the Equity theory. Under the Equity theory, if an individual perceived himself to be under-rewarded then he will be motivated to decrease the inequity by decreasing his performance.

On the other hand, the Expectancy theory suggests that the individual may increase her performance if he perceives the outcome strongly to be desirable. Harder examined the effects of Expectancy theory and Equity theory on major league baseball players. He found out that one year before players become free agents, the home run ratio of the players who are expecting lower salary did not decline. But the batting average of those players has declined significantly. Harder (1991) illustrates findings that suggest both the Equity and the Expectancy theories have validity in this way, " First-year free agents were rewarded more for hitting home runs than for batting average.

. . . these results can be used to operationalize the performance-outcome expectancies. Subsequent free-agents probably perceived a strong performance-outcome expectancy for home run ratio but a weak performance-outcome expectancy for batting average.

" (p. 461). This would suggest that when the player believed that his performance would affect his future earnings, as in the case of home run averages, his performance remained strong. In the case of his batting average, where there was little opportunity to increase his future rewards, but there was the perception that he was currently undervalued, the Equity theory comes into play. The player senses a negative equity is occurring, and there is a performance measure that will have little affect on future outcomes, so the player can withhold effort to bring his performance in line with perceived equity, while still enhancing the behavior that he believes will be to his benefit. Analysis of the Findings The research on major league baseball free agents yielded very interesting results.

Harder (1991) showed that as the players felt under compensated, the type of performance the players that are strongly related to future salaries did not decrease, which supports the Expectancy theory. On the other hand the types of performance that were not strongly related to salaries declined substantially. This effect is explained by Equity theory. Therefore, given several performance measurement options, individuals who feel under compensated will choose to decrease certain performances to the extent that they will not affect future rewards. The study between Dutch and U. S.

firms show that the Equity theory can be culturally biased. The open culture of the Netherlands encourages inter-organizational relationships. Therefore, the workers feel guilt if they are receiving more compensation than another worker for the same performance. On the other hand, U. S.

firms place more emphasis on individual achievements and are much less likely to feel obligated to others for their own compensation; however team-spirit and good sportsmanship have softened the American model, making the individualistic spirit less demanding and more benevolent. The work of Chhokar et al. (2001), suggests that countries that have a high degree of individualism, which in Chhokar's research is a " masculine" trait, are also typically less likely to be benevolent in terms of their equity perception responses. Interestingly enough, countries such as France, which has a higher " feminine" rating, scored very low on the benevolence scale. This message serves to validate the modification of the Equity theory, which suggests that cultures most likely to be individualistic are also most likely to feel more strongly about negative equities.

This additional evidence suggests that in order to be effective, the Equity theory must be coupled with additional information concerning cultural differences regarding the tolerance for various types of inequity. Conclusion and Discussion The Equity and Expectancy theories are useful tools for organizational managers in designing a rewards system. However, determining the relationship between rewards and performance is imperative prior to attempting to utilize the broad strokes of these theories to base organizational performance systems. If an organization does not have any compensation policy that allows the employees to understand how their rewards are based, then attempting to impose the theories of any one system will not be worthwhile.

The suggested cultural bias of the Equity theory says that multinational companies or companies with multinational workforce should not design their reward system solely based on Equity theory. Some type of hybrid that incorporate both the Equity and Expectancy theories, and allows for the understanding of cultural differences, will bring much better results in terms of employee satisfaction and productivity. In the U. S.

society, people are very individualistic, but that does not mean they do not care for others or exert any organizational citizenship behavior. References

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